

## TAXPAYER HB 658 OPPOSITION AND RATIONALE

I represent about 1600 Montana Residents for Fair Property Taxation. This organization is opposed to HB 658 because the bill does nothing to make the reappraisal portion of the property tax system equitable for all, predictable, stable and permanent.

HB 658 has the following permanent flaws:

- The Taxable Value increase limit of 55% and 60% in Extended Property Tax Assistance Program is useless as far as reducing tax liability. An owner has to have a Market Value increase around 140% to qualify for an increase cap of 10% per year which is not affordable for many.
  - The cost to reduce to Current Law values of 24%, 36% would be excessive for both state and individuals
- **Phase-in still includes phase-in of decreases in Taxable Value which was forbidden by Montana Supreme Court**
- Change of purpose for reappraisal/mitigation from: "compensate for inflation or replace lost revenue from reappraisal" to: "shifting the burden of State tax from rural to urban areas" creates inequities.
  - Creates separate Class called outliers in Class 4, where outliers endure large increases for the purpose of giving decreases in Taxable Value to other residents solely because of where they live and not because of need.
- The Extended Property Tax Assistance Program has inequities in that owners with large Market Value increases pay for the decrease in Taxable Value because of where he lives and then pays for his neighbor's EPTAP decrease because of income.
- There are no provisions in HB658 for how the State can/will handle the loss of revenue in the next reappraisal

### Explanations/Clarification

Mitigating the statewide average to revenue neutral means that owners with increases below the statewide average have a decrease in taxable value and those above average have increases. The net effect is no increase in state taxable value meaning the increases offset (pay) for the decreases and the burden of State (101 mills) is shifted to locales where property values are increasing, primarily rural to urban. The purpose for reappraisal/mitigation shifts from revenue to offset inflation or lost revenue due to reappraisal to shifting the burden of State tax.

The burden shift policy creates a distinct, separate class called "outliers" within Class 4 Residential and perhaps Class 4 Commercial. (Outlier is defined as an owner whose property has a very large increase in Market Value so that *after mitigation* his Taxable Value is still above an affordable amount (24%).) Approximately 14% (50,000) of residential owners with *Market Value* increases of 100% or greater are classified as outliers. MRFPT contends that having a relatively small group of residents have very high increases in property tax so that others can have a decrease in Taxable Value is inequitable, and also violates the similar situation/treatment clause because the owners who do not need relief get decreases, and those who need relief the most still have large, unaffordable increases.

Since the *decreases*, and increases, *in taxable value are phased in*, owners with decreases actually pay more tax during phase in so that owners with increases can pay less (revenue neutral). (This decrease phase in was the subject of the Roosevelt lawsuit you may remember) Further, in districts/counties where the taxable value growth is less than the decrease caused by mitigation rate and exemption changes have to increase mills just to remain neutral, so the burden of tax at this level is shifted to anyone who had an increase in Taxable Value and some will pay double tax when inflation is added.

The Extended Property Tax Assistance Program relies on the State to replace the lost state revenue due to EPTAP. The district or county has to replace the revenue lost in their district by increasing mills meaning that everyone in the district is paying for the EPTAP revenue reduction and the people with large increases are paying twice. (It's bad enough paying a large increase so someone else can have a decrease, but I can't see the equity in also paying for my neighbor who has property and Market Value increase similar to mine, because I make more money than he.)

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